

UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF  
MISSISSIPPI JACKSON DIVISION

In Re:

WAREHOUSE 86, LLC, Case No. 08-03423-EE

DEBTOR, Chapter 11

SCK, INC. AND RADIOSHACK CORPORATION

PLAINTIFFS

Adv. Pro. No. 09-00139-EE

VERSUS

WAREHOUSE 86, LLC

DEFENDANT

\*\*\*\*\*

DEPOSITION OF ERNEST KNOX STRAHAN, III

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APPEARANCES NOTED HEREIN

TAKEN AT INSTANCE OF: PLAINTIFFS

DATE: MAY 5, 2010

PLACE: BUTLER, SNOW, O'MARA, STEVENS & CANNADA

1020 HIGHLAND COLONY PARKWAY, SUITE 1400

RIDGELAND, MISSISSIPPI

TIME: 9:00 a.m.

REPORTED BY: AMANDA M. WOOTTON, CSR, RPR

Bond Benoist

Post Office Box 1576

Madison, Mississippi

Exhibit "C"

1 elimination and making sure it's not in one of these  
2 volumes as you have that.

3 A Okay.

4 Q As you continue to look, let me ask you  
5 this again just is the first page in this volume.  
6 Bates No. WH1098. What is that?

7 A It appears to be sales of items and the  
8 date they were sold and the price the item was sold  
9 for. And the number in which we sold in auction.  
10 These are sold items and the date in which they were  
11 sold.

12 Q All right.

13 A Inventory items.

14 Q In particular, it's inventory?

15 A This is all inventory.

16 Q Now, how does that inventory list differ  
17 from the inventory list you just looked at, WH1641?

18 A I don't know that I can answer  
19 specifically the question.

20 Q What -- did you have two different  
21 inventory lists?

22 A No. That's -- that was in inventory and  
23 this is items that we sold from it.

24 Q Okay.

25 A Whether they're the same or not, I don't

1 know.

2 Q Well, --

3 A I'm trying to remember if there were any  
4 added to it or whatever. You've got to remember,  
5 we're a salvage company so whether -- I don't know  
6 if this would have been -- this would have been from  
7 our other facility when we moved after the tornado.

8 Q What are you pointing at in particular?

9 A Sales dates were after the tornado so they  
10 had to be from a facility other than the Southaven  
11 facility so they were probability the facility that  
12 we opened up --

13 Q Does this document WH1098 reflect the  
14 distribution center from which the item was shipped?

15 A This document does not.

16 Q So if you pick a date prior to the  
17 tornado, how -- on this list which is numerous  
18 pages, hundreds of pages, how would one know if that  
19 item was distributed from Utah or Indianola or some  
20 other -- or the Southaven facility. And just as an  
21 example, let's turn to WH1322. Those items were  
22 sold the day before the tornado. So the question  
23 is, can you pick out any of those items and tell me  
24 from which distribution center it was shipped?

25 A From looking at this list, I cannot tell

1 you that but from knowing how the list was  
2 generated, I could probably tell you that.

3 Q Okay. How was the list generated so that  
4 you could tell me?

5 A I don't know how this list was generated.  
6 I was trying to remember what the relevance of  
7 this list -- why it was generated and I don't  
8 remember. But we obviously provided it. I mean,  
9 there is a way to get a report from what  
10 distribution center it was sold and it will print  
11 that data out and only print data from the facility  
12 in which it was sold.

13 Q When was this document printed?

14 A I don't know. I'm thinking it was a  
15 document -- I don't know the relevance -- I don't  
16 know where you got the document, but --

17 Q I got it from you.

18 A I don't know. You got it from me? I sent  
19 that to you directly?

20 Q He did. Your lawyer did.

21 A Was the document -- what list was it in?  
22 Was it the ones that were sent to the auditor?  
23 Because I know they had asked for a list like that.  
24 I would have to know the relevance of this. And I  
25 don't know where this specifically came from. If it



1 came from that one, I think we had given them a list  
2 of sales to show how we came up with average selling  
3 prices to be able to value the selling price and  
4 then that's what the auditors were asking for, how  
5 you show an average selling price which is what we  
6 were doing for the type of equipment we were  
7 selling, inventory we were selling. Because our  
8 inventory, as you can see, varies all over the  
9 board.

10 Q Okay. Back to the question again. You  
11 can't look at WH1322 and tell where any of those  
12 items were shipped?

13 A I did not put that number on this page and  
14 therefore no, I cannot tell you where that list came  
15 from or how it was generated.

16 Q Is there anyone within Warehouse 86 that  
17 can answer that question?

18 A No. We'd have to run a new report or at  
19 that point run a report showing -- I mean, the  
20 report would have to be generated for a specific  
21 purpose.

22 Q Bob --

23 A All cells for DC7.

24 MR. WATT: Bob, do you see my  
25 difficulty here, my client has requested

1 documents and --

2 A And we gave them. That's what I'm  
3 saying --

4 MR. FREY: Hold on. Don't cut him  
5 off.

6 MR. WATT: Requested documents.  
7 You've provided them. We've paid for them  
8 and I just want to ask questions about  
9 them and the witness is encumbered in his  
10 ability to comprehend. Not your  
11 comprehension ability but you're  
12 encumbered because of insufficient facts  
13 provided to you. And I'm -- I'm wondering  
14 if I have a ream of paper here that is  
15 meaningless to me.

16 MR. FREY: Well, if I understand what  
17 he said is anybody could have generated a  
18 report for their own purpose and they  
19 would be the one who knows what the report  
20 shows. Did I say that right?

21 BY THE WITNESS: Yeah. Exactly. For  
22 instance --

23 MR. WATT: Then help me understand.

24 A -- auditors asked me for a specific report  
25 and I gave that report to them.

1 MR. WATT: (Continuing.)

2 Q I want an understanding as to why this  
3 report -- which discovery response this is  
4 responsive to. Excuse me, which discovery request  
5 this is responsive to. And you're saying you can't  
6 help me with that, correct?

7 A Where did you get this document?

8 Q Again, I got it from your attorney.

9 A With a cover letter that explained what it  
10 was?

11 Q No. I mean, this is -- this is a ream of  
12 documents that I -- or actually a disk that I  
13 printed the documents from.

14 MR. FREY: What is it exactly you  
15 want to know about the document?

16 MR. WATT: Well, in addition to the  
17 questions I've already asked, I'd like to  
18 know how one can ascertain from this what  
19 may have been in existence at the time of  
20 the loss.

21 A Who put these numbers at the bottom?

22 MR. WATT: You asked your attorney  
23 but I'll answer you. Apparently, it was  
24 your attorney or his staff who did it.

25 MR. FREY: Yeah. I don't know that

1           that document is ever going to tell  
2           anybody what was in existence at the time  
3           of the loss.

4           MR. WATT: What does it tell me then?  
5           See, it doesn't even tell me whether it  
6           relates to the Southaven facility. So  
7           I've got a ream of documents that are -- I  
8           don't know which of the items relates to  
9           the Southaven or not.

10          MR. FREY: Well, Ernie, tell me if  
11          this is true, if you wanted to figure out  
12          the answers to things he's asking, you  
13          would just have to go to everybody who  
14          ever worked at Warehouse 86 and show them  
15          the document and say do you recognize  
16          this. Is there any other way of doing it?

17          BY THE WITNESS: The answer is  
18          whoever first received that document, what  
19          was the context in which it was presented  
20          to them.

21          MR. FREY: I mean, received out of  
22          the printer or what?

23          A     This document was generated and given to  
24          somebody for an intent purpose. And when it was  
25          given, it was put with something that described what



1 it was for. And that would describe what facility  
2 and what the reason for it was for. And I'm  
3 thinking it was probably given to Morgan Johnson.

4 MR. WATT: (Continuing.)

5 Q And what I think I hear you saying is  
6 there is nothing on the face of this document that  
7 indicates the purpose for which it was generated?

8 A Right. But the information is enough  
9 there that you could determine which facility it  
10 came from but not by looking at that. You would  
11 have to take that number and figure out what DC  
12 number that was located in.

13 Q You would have to take what number?

14 A That's an inventory number.

15 Q The first column?

16 A Yes.

17 Q Is there a master list as to --

18 A The computer spit out the report that  
19 generated this report, somebody put in criteria for  
20 that report which was probably DC7 sales for X  
21 period of time and it spit out these are the sales  
22 for this period of time and the numbers that were  
23 sold and here are the numbers they were invoiced on.  
24 So it has the information there. It is just not on  
25 that page. I can't look at that today and look at

1 that and tell you.

2 Q Okay.

3 A You have to --

4 Q We'll come back to that.

5 A So you have to link it back to the  
6 document that it was presented with as to why it was  
7 run and for what purpose and that would give it  
8 meaning.

9 Q Okay. The date reflected in the middle of  
10 the page or the dates plural and on this particular  
11 page, the date is the same for each entry and it is  
12 February 4, 2008, does that reflect the date the  
13 item left a facility?

14 A The date the item was paid for by the  
15 customer.

16 Q Were items paid for by the customer prior  
17 to distribution or leaving the facilities?

18 A Yes.

19 Q So therefore there could be a date after  
20 the day of the tornado, February 5, that was still  
21 in the facility on February 5?

22 A Uh-huh. Yes.

23 Q So not all of the items dated on or after  
24 February 5, would have been acquired or brought into  
25 the distribution center after the tornado or the

1 fire?

2 A Say that one more time.

3 Q In other words, you've got dates that  
4 reflect date -- money was received for the item and  
5 you don't have a date for when the item actually  
6 left the facility?

7 A Not on that report.

8 Q Okay. So therefore there could be a date  
9 of an item in the end of February 2008. Let's say  
10 February 25. And you won't be able to look at that  
11 and tell whether that was an item that came into a  
12 facility, Utah or some other place, before or after  
13 February 5.

14 A I could look at the G number and go find  
15 that information but from the report, no.

16 Q And the G number which is the first  
17 column?

18 A Uh-huh. (Affirmative response.)

19 Q Is there a master sheet that tells you,  
20 explains these G numbers?

21 A It's just a number assigned to each item  
22 and it's put in there by the computer and it is  
23 stored in the computer.

24 Q Okay. All right. After today, I will  
25 confer with Mr. Frey about this but to give you a

1 heads up, we're going to need some type of  
2 explanation so that we can understand what this  
3 means and whether that leads to us coming back  
4 another day or not, I don't know at this time.  
5 But...

6 All right. Of these four volumes, there  
7 is nothing in the first three -- I mean, excuse me,  
8 the last three, the second, the third and the  
9 fourth, about a loss claim. So if it exists, it has  
10 been --

11 A I may --

12 Q -- provided in that first volume.

13 A I think --

14 MR. FREY: Wait. Wait. That's just  
15 your statement.

16 MR. WATT: Well, I'm -- you're  
17 correct. It is just my statement. I  
18 would welcome the opportunity for somebody  
19 to correct me.

20 MR. FREY: Well, that's not fair  
21 unless you want him to go through all of  
22 the books. I'm not doubting you, but I  
23 don't want to convert your statement into  
24 his testimony.

25 MR. WATT: I understand. I